

MARK R. HUTCHINSON

Attorney at Law

2207 Frederica Street
Owensboro, Kentucky 42301
E-Mail: mrhutchlaw@aol.com

Telephone No:
(270) 926-5011

Fax No:
(270) 926-9394

**UNITED PARCEL SERVICE
OVERNIGHT DELIVERY**

September 9, 2004

Beth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602

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SEP 10 2004

**PUBLIC SERVICE
COMMISSION**

RE: Atmos Energy's Response to Commission Staff's Data Requests
Case No. 2004-00300

Dear Ms. O'Donnell:

Please find enclosed an original, plus five (5) copies, of Atmos' Response to the Commission Staff's Data Requests in the above referenced case.

If there are any questions or problems with the enclosed, please advise.

Very truly yours,



Mark R. Hutchinson

MRH:bkk

Enclosure

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SEP 10 2004

PUBLIC SERVICE
COMMISSION

ATMOS ENERGY CORPORATION
KPSC Case No. 2004-00300
Commission Staff's First Data Request Dated September 2, 2004
September 9, 2004
DR Item 1
Witness: Laurie Sherwood

RESPONSE TO FIRST DATA REQUEST OF COMMISSION STAFF
TO ATMOS ENERGY CORPORATION

1. Describe the effect, in any, the announcement of the acquisition of TXU Gas Company ("TXU") had on the price per share of Atmos common stock. Include with this description, Atmos' expectations regarding the price per share of its common stock after the acquisition has been finalized.

Response: On June 16, 2004, the day prior to Atmos' announcement of its agreement to acquire the operations of TXU Gas, the closing price of the Company's common stock was \$25.00 per share. Immediately following the announcement, the Company's stock declined slightly but has since recovered. The table below shows the closing prices of the Company's common stock during the five trading days beginning June 17, 2004.

June 17	\$24.54
June 18	\$24.42
June 21	\$24.61
June 22	\$24.75
June 23	\$24.81

On July 19, the Company completed an offering of approximately 9.9 million shares of common stock at \$24.75 per share. The closing price of the stock on July 16, the date on which the offering was priced, was \$24.91 per share.

Since July 19, the closing price of Atmos' common stock has ranged from a low of \$24.61 on August 23 to a high of \$25.64 on September 7. Atmos believes that, absent any major stock market movements resulting from the upcoming presidential election, terrorist attacks or other factors, its common stock will continue to trade within this general range after the acquisition has been finalized.

Response Prepared by: Laurie Sherwood
Vice President and Treasurer

ATMOS ENERGY CORPORATION
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Commission Staff's First Data Request Dated September 2, 2004
September 9, 2004
DR Item 2
Witness: Doug Walther

2. Describe the effect, if any, the acquisition of TXU will have on the day-to-day operations of Atmos and any short-term plans Atmos may have for its Kentucky division. Include in this description any planned changes in Atmos' organizational structure that may affect the reporting relationship between Atmos and its Kentucky division.

Response: The acquisition of TXU Gas should have little or no impact on the day-to-day operations of Atmos' existing operating divisions, including Kentucky, and Atmos has no plans to change its organizational structure in a manner that would affect the reporting relationship between Atmos and the Kentucky division. Atmos has not established a timetable for consolidating the TXU Gas operations with its existing utility operations and it is possible that it may not ever consolidate such operations. The reason for this is that TXU Gas is unique in several significant respects from the Company's other operating divisions. It serves the Dallas/Fort Worth area, one of the largest and fastest growing areas in the United States, and has almost five times as many customers as the Company's next largest division. Further, it has its own "shared services" employees that provide many of the same functions that Atmos shared services provides to its utility divisions. In light of these unique factors, Atmos will need time to carefully evaluate the issue of when and/or if it makes sense to consolidate the TXU Gas operations with the remainder of its operations. However, in any event, Atmos has no plans that would impact the day-to-day operations of its Kentucky division or make any changes that would impact the reporting relationship between Atmos and the Kentucky division.

Response Prepared by: Doug Walther
Senior Attorney

ATMOS ENERGY CORPORATION
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Commission Staff's First Data Request Dated September 2, 2004
September 9, 2004
DR Item 3
Witness: Laurie Sherwood

3. State whether Atmos' Kentucky division could be exposed to increased costs for short-term debt as a result of the acquisition of TXU. Explain.

Response: The Company expects that the interest rate on its short-term debt will increase slightly as a result of the acquisition and the accompanying reductions in its credit ratings. However, Atmos does not expect any increase in the amount of its short-term interest expense will be allocated to the Kentucky division. Any increase in the Company's consolidated short-term debt interest expense resulting from the acquisition will be more than offset by the effect of allocating that expense across a much larger customer base.

Response Prepared by: Laurie Sherwood
Vice President and Treasurer

ATMOS ENERGY CORPORATION
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DR Item 4
Witness: Doug Walther

4. State whether Securities and Exchange Commission ("SEC") approval has been sought. If yes, provide a copy of the filing made with the SEC.

Response: Atmos filed a Form S-3 Registration Statement with the SEC on August 31, 2004. A copy of the S-3 is being provided under separate cover.

Response Prepared by: Doug Walther
Senior Attorney

ATMOS ENERGY CORPORATION
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Commission Staff's First Data Request Dated September 2, 2004
September 9, 2004
DR Item 5
Witness: Doug Walther

5. Refer to page 10 of the revised Exhibit A to the application. State whether the purchase price of \$1,932,540 includes any or all debt of TXU that is to be assumed by Atmos.

Response: Atmos is assuming no debt of TXU in this transaction. Therefore, the purchase price does not include any debt of TXU that would be assumed by Atmos.

Response Prepared by: Doug Walther
Senior Attorney

ATMOS ENERGY CORPORATION
KPSC Case No. 2004-00300
Commission Staff's First Data Request Dated September 2, 2004
September 9, 2004
DR Item 6
Witness: Tom Peterson

6. Describe the effect Atmos believes the acquisition of TXU will have on the following:
- a. Atmos' Kentucky Division Capital Account
 - b. Dallas General Office Capital Allocation
 - c. Total Capital Account
 - d. Return on Capital Account
 - e. Interest portion of Return on Capital
 - f. Equity portion of Return on Capital

Response:

Items (a) through (f) of this question and response refer to the calculation of return on equity for Kentucky.

a. As explained in response to Data Request No. 2, Atmos expects to operate TXU Gas to a great extent on a stand alone basis. Therefore, most of the assets currently shared by the other Atmos utilities, such as the customer support center and the customer information system, will not be used by TXU Gas. Therefore, the allocations of shared assets to Kentucky should not change significantly. As a result, the acquisition of TXU Gas should have a minimal effect on the Kentucky Division Capital Account.

b. Atmos does not expect the Dallas General Office Capital Allocation to change as a result of the acquisition.

c. The acquisition should have a minimal effect on the combination of the Kentucky Division Capital Account and the Dallas General Office Capital Allocation in the Total Capital Account.

d. The effect of the acquisition on the rate of return on total capital should be limited to the minimal effect on the amount of the Total Capital Account.

e. The company plans to finance the \$1.925 billion acquisition with \$500 million to \$600 million of equity and the remainder with debt. This will increase the company's debt percentage of total capital. The new debt financing is expected to lower

the company's average debt cost rate. The net effect of the increased debt percentage and the lower debt cost rate is likely to result in a higher Interest Portion of Return on Capital.

f. Since the acquisition is expected to have minimal effect on the total Return on Capital Account (see "d" above) and to increase the Interest Portion of Return on Capital (see "e" above), it should decrease the Equity Portion of Return on Capital.

Response Prepared by: Tom Petersen
Director of Rates